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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF WEST VIRGINIA

GERALD W. CORDER,

Plaintiff,

v. Case No. 1:18-00030

ANTERO RESOURCES CORPORATION,

Defendant.

VIDEO DEPOSITION OF ALVYN A. SCHOPP

Thursday, January 23, 2020

1:43 p.m.

Steptoe & Johnson
400 White Oaks Boulevard
Bridgeport, West Virginia

Shelia Miller, Certified Court Reporter
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1 operating expenses in our contract we agreed to pay for.

2 They are on there, but there is no -- any margin or
3 profit that MarkWest makes is embedded in the fee.

4 Q There are some documents that Hank has
5 produced to us and maybe that will help a little bit in
6 understanding the bills and how you accounted, but let me
7 ask the question this way.

8 Does Antero break out in terms of what it
9 is going to charge off to the lessor specific costs that
10 is incurred by MarkWest?

11 A No.

12 Q So in terms of if Antero is going to pay a
13 lessor for a particular NGL product, is it fair to say
14 that the MarkWest bill in its entirety is taken off of
15 whatever that NGL sold for?

16 A No. I would say no. I think I understood
17 the question is that are any of those costs netted
18 against the original NGL sales price and the answer is
19 no.

20 We show the NGL gross price, and we show a
21 deduction of which here are the dollars and the items
22 that make up our processing fee, and MarkWest would be
23 one of those bills. Then that is shown separately on the
24 leasehold statement.

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1 Q How would that be designated?

2 A PRC-2.

3 Q Is PRC-2 a number of things?

4 A Yes.

5 Q Can you identify what would be incorporated
6 into PRC-2?

7 A I think I know the majority of it, but
8 there might be some little ones that are in there, but
9 basically it would be predominantly the MarkWest
10 processing fees and the processing charges associated
11 with processing the gas.

12 It would include the fractionation fees of
13 MarkWest, and it would include some fees from energy
14 transfer Mariner East.

15 Those are variable. Sometimes there's
16 those fees and sometimes there's not, which actually they
17 transport to sell the NGL's, some of the NGL's.

18 So I think if you took those three sets,
19 you would get 95 percent because those are fairly
20 substantial costs.

21 There's some other little ones in there. I
22 haven't looked at that statement in a while, but there is
23 a breakout that shows exactly what those are and how they
24 are allocated.

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1 Q When you say there is a breakout, that
2 breakout is internal to maybe MarkWest and Antero, but
3 certainly Antero?

4 A Yeah, because they are not all from
5 MarkWest, so MarkWest wouldn't even see them all because
6 there's other people in there besides MarkWest, but there
7 is a list every month that says here is exactly what each
8 of those bills are and what that total is.

9 Q So besides MarkWest, you may not be able to
10 recall all of the specific companies the charges would
11 have come from, but can you give me some of them?

12 A Energy Transfer is one that I would say
13 would be the largest one, outside of MarkWest.

14 Q Energy Transfer would be?

15 A They are an NGL company out of Houston.
16 They have what they call their Mariner East Complex, and
17 that Mariner East runs liquid pipelines. So that would
18 be the one that I am thinking of.

19 Q The pipeline would run from where to where
20 in West Virginia?

21 A It would leave the fractionation plant that
22 cracks them into separate products in Houston,
23 Pennsylvania. Basically, that pipeline runs from
24 Houston, Pennsylvania, to Marcus Hook, Philadelphia, to

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1 an LNG plant that then puts them on a boat to Europe,
2 Asia, wherever those specific products might go.

3 Q Where specifically geographically is the
4 plant or plants that MarkWest -- that processes the gas
5 to fractionate isobutane and butane?

6 A I would say the process, to use that term,
7 is the Sherwood facility, which is here in Doddridge
8 County off of Route 50 near the Sherwood exit. It is
9 just past Salem on 50 going west.

10 It is in Doddridge County, the Sherwood
11 plant. That is where our raw gas goes, and they
12 basically take that, and then there is a pipeline that
13 the liquids then are still combined, and they go in a
14 pipeline then to Houston, Pennsylvania, which is kind of
15 eastern southwestern Pennsylvania. That is where the
16 fractionators are that crack it into separate individual
17 products.

18 Q Who owns the line that takes it from the
19 Sherwood plant to Pennsylvania?

20 A MarkWest.

21 Q So those charges would be included in PRC-2
22 probably? Do you know?

23 A My recollection is they are included in the
24 processing fee. There might be a small NGL line fee, but

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1 if it is, yes, it would be in that PRC-2.

2 Q So does the Sherwood plant, for the most
3 part, process the gas to satisfy putting it into the
4 transportation line, interstate transportation line for
5 natural gas, as well as -- well, there has to be a second
6 plant, but does it do anything besides process the gas to
7 make it acceptable to be sold or transported on
8 interstate lines?

9 A Basically, you could get three products out
10 of the plant. You could get ethane separately. You get
11 Y grade NGL, which goes to Houston, PA, and then you get
12 residue gas that we would ship across our pipes to sell
13 to different markets.

14 Q When you say you transmitted on your lines,
15 that is the natural gas?

16 A Antero Resources Corp, there's residue
17 lines that connect to different header systems so we can
18 divert the gas across other third-party lines to get that
19 gas to where we would want to at market.

20 So there is a system of pipes behind the
21 plant that are still owned by MarkWest that basically get
22 separate headers that we can then connect.

23 I think Antero might even own one small
24 line that goes to another inner junction with an

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1 Q What is this then? I am glad I asked.

2 A So this is really the sheet that determines
3 whether or not if someone has a market enhancement
4 clause, as to whether it is appropriate to give them a
5 transportation TRN-3 charge.

6 Q When you say a market enhancement
7 transportation charge, can you describe what that is?

8 A Yes, sir.

9 Q In Antero's terms.

10 A Antero's term is, if it is appropriate in
11 the lease for a market enhancement, there may be what we
12 would call TRN-3.

13 To sell something in Chicago, let's use
14 Chicago, we incur a significant amount of cost to get to
15 Chicago. So if I paid 50 cents to get to Chicago, I sell
16 the Chicago at Chicago sales price.

17 The way we determine this is we basically
18 say, if you have a market enhancement clause, in other
19 words, if I can get you a better price, you are going to
20 partner with me on some of those costs to go get you a
21 better price is kind of the way we look at it.

22 So there is the local market, and that
23 local market at this point, it was all of the -- it is
24 what could we get at TCO pool, what could we get TETCO M-

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1 2, what could we get for Dominion South, what was that
2 local price.

3 Basically, we compare that to the WASP,
4 right? So we did significantly better than where we
5 would have sold that at a local price and so then there
6 was a six-cent differential.

7 What did it cost us to get that Chicago
8 price at 2.50; well, it cost me 22 cents, right? So we
9 don't charge that to people who have market enhancement.
10 We only charge the difference that they got the benefit
11 for.

12 So if the price would have been a dollar
13 higher, they would have got charged the whole 22 cents,
14 not the 6, because they would have gotten 100 percent of
15 the benefit for that. So this would be calculating if
16 TRN-3 is appropriate, what would TRN-3 be for them.

17 Q I take it this is something that is
18 routinely done?

19 A It is a regular part of our monthly
20 process. Many times, it is zero. It is month-to-month.
21 If the indexes are narrow, then there is really --
22 Chicago price is pretty close to our local price, so
23 there is no market enhancement by taking it to Chicago.

24 Q The thing that I am not totally clear on is

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1 what lease would this apply to, what type of lease.

2 A What we would call market enhancement
3 lease. It has market enhancement language.

4 Q In other words, it would specifically say
5 in there that if we enhance the value of the sale price
6 by some definition, --

7 A Yes.

8 Q -- that we are allowed to charge you, --

9 A Yes.

10 Q -- and it goes into this detail in that
11 lease that you are talking about here?

12 A Well, this is done without regard to lease,
13 and then when we do that lease analysis as to what
14 charges they get, it is flagged for that lease as to
15 whether or not if there is a TRN-3 charge deemed
16 appropriate that month, does this lease get it or not.

17 That is done on a lease-by-lease basis. So
18 even though it is here, if every lease didn't get one,
19 then nothing would be charged.

20 (WHEREUPON, a recess was
21 taken, after which the following
22 proceedings were had.)

23 (WHEREUPON, a document was
24 marked for purposes of identification

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1 A A significant amount. For example, some of
2 these volumes are wellhead. Some of it is calculated by
3 us because if we are talking about NGL WASP, we have to
4 take in our own invoices.

5 So not all of these numbers will tie
6 directly to a MarkWest statement. A significant number
7 of them will, but it depends on whether we have to
8 include some of our information to get that.

9 Q Let me ask you this. With respect to the
10 well issue in this particular case, does this calculation
11 for this particular period of time apply to the wells at
12 issue in this case?

13 A Yes, sir.

14 Q Can you tell me, is it all the wells or
15 part of the wells or just some of the wells?

16 A No. If you recall that very first map, --

17 Q Right.

18 A -- there was two pipelines. So
19 predominantly, these wells are what we would call right
20 in between where they are wet enough to process or they
21 do not need to be processed.

22 So there are months we can take this and
23 not process this gas. That is why there was two
24 pipelines there, but predominantly, these wells are

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1 a tab, I believe, on overall large allocation
2 spreadsheets with multiple tabs.

3 This is one of the tabs where we are
4 recording the net activity from all of this process into
5 our general ledger for our financial statements.

6 So basically, what we have is we have, if
7 you see the GL accounts down, Enertia is our accounting
8 system. The GL accounts are down the left.

9 The descriptions for them and debit or
10 credit, they put them in the spreadsheet, and what they
11 have the ability then to do is upload these journal
12 entries into our accounting system to account for the
13 monthly sales.

14 Q One of the things I wanted to ask you, the
15 volume that the lessors are paid for, is that the total
16 volume coming out of the well?

17 A It is wellhead volume, yes.

18 Q So the fuel loss and unaccounted for gas
19 would have nothing to do with what a lessor would get
20 paid; is that correct?

21 A That is correct. We add fuel back to our
22 gross numbers to make sure it is gross wellhead.

23 Q When you say fuel, that would be fuel and
24 lost and unaccounted for?

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1 A Yes, sir.

2 (WHEREUPON, a document was
3 marked for purposes of identification
4 as Deposition Exhibit No. 15, a copy
5 of which is attached hereto and made
6 a part hereof.)

7 BY MR. MASTERS:

8 Q I am showing you Exhibit 15. Can you tell
9 me what 15 is?

10 A This looks like just another look at the
11 summary for November 27, Team WASP. It shows total
12 MMBTU, total price received from that pipeline, and total
13 dollars with the appropriate reconciling items.

14 Q Now, they have volume MCF Marcellus,
15 55,487,152, and then it has got the MMBTU's and the
16 wellhead average prices, correct, loss price?

17 A Yes.

18 Q Then it has got the Dominion and Columbia,
19 et cetera?

20 A My guess is that is what the indexes were
21 that month.

22 (WHEREUPON, a document was
23 marked for purposes of identification
24 as Deposition Exhibit No. 16, a copy

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1 A That would have been the amount of receipt
2 residue gas that was allocated to this well, both in MCF
3 and MMBTU. D-T-H is decatherm, another way of saying
4 MMBTU.

5 Q That is FL&U. I understand that.

6 A Wellhead, yes.

7 Q Gross sales, and I assume the 2.49 paid
8 whatever is the loss?

9 A Yes, sir.

10 Q Fuel value, F-U-L, what is that?

11 A If you notice, the first wellhead fuel and
12 unaccounted for was in decatherm. So what is the value
13 of that fuel is the 2.49 WASP times the decatherm of
14 fuel. So the fuel value dollars was 4,282.

15 Q Pool transport, that \$2.8 million, I assume
16 is for the whole?

17 A That is for transport.

18 Q Of the whole thing?

19 A For transport out of the local pool.

20 Q Then T-R-N is what?

21 A That is transport that is to the local
22 pools.

23 Q To local pools?

24 A Yes, sir. When we talk about TRN-3 for

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1 market enhancement, --

2 Q Yes.

3 A -- we don't include any of that, so we
4 compare that market enhancements for did we get a better
5 price because we took it somewhere far away, Chicago.

6 We would include those transportation costs
7 in our TRN-3 calculation, but to get it to TCO, Dominion
8 South and local pools, that is the transport to do that
9 that we don't include in our TRN-3 calculation.

10 Q So that would be TRN pool transport. TRN
11 is including --

12 A That is transportation to get to the local
13 pricing.

14 Q Pool transport TRN-3 --

15 A Is from the local pools to LA, Chicago,
16 Michigan, far away places.

17 Q Then you have low pressure gathering. You
18 talked about that. High pressure gathering; you talked
19 about that.

20 A Correct. Those are when I said are they
21 AM. So in other words, you notice at gathering three,
22 they are all gathering three because they are Antero
23 gathering fees. Five sixty-eight is the total page.

24 Q If you look on page 568 at the Enertia tie-